



STATE BOARD OF EQUALIZATION
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December 3, 2004

No. 2004/071

TO COUNTY ASSESSORS:

NEW CONSTRUCTION INFORMATION

Effective January 1, 2004, Assembly Bill 1744 (Chapter 316, Statutes of 2003) added paragraph (2) to subdivision (d) of section 441 of the Revenue and Taxation Code¹ regarding new construction. Section 441(d) requires that taxpayers make available to the assessor for examination information or records regarding their property that are required for assessment purposes.

Paragraph (2) requires that an owner-builder or owner-developer of new construction that is constructed for or sold to a third party provide the assessor with information and records regarding that property within 45 days of a written request by the assessor. The information must include the total consideration paid as part of or outside of the purchase agreement, including consideration paid for the purchase or acquisition of upgrades, additions or any other additional or supplemental work performed or arranged for by the builder/developer on behalf of the purchaser. As amended by Chapter 316, section 441(d) now reads (changes are in italics):

(d) (1) At any time, as required by the assessor for assessment purposes, every person shall make available for examination information or records regarding his or her property or any other personal property located on premises he or she owns or controls. In this connection details of property acquisition transactions, construction and development costs, rental income, and other data relevant to the determination of an estimate of value are to be considered as information essential to the proper discharge of the assessor's duties.

(2) (A) *This subdivision shall also apply to an owner-builder or an owner-developer of new construction that is sold to a third party, is constructed on behalf of a third party, or is constructed for the purpose of selling that property to a third party.*

(B) *The owner-builder or owner-developer of new construction described in subparagraph (A), shall, within 45 days of receipt of a written request by the assessor for information or records, provide the assessor with all information and records regarding that property. The information and records provided to the assessor shall include the total consideration provided either by the purchaser or on behalf of the purchaser that was paid or provided either, as part of or outside of the purchase agreement, including, but not limited to, consideration paid or provided for the purchase or acquisition of*

¹ All references are to the Revenue and Taxation Code unless otherwise indicated.

upgrades, additions, or for any other additional or supplemental work performed or arranged for by the owner-builder or owner-developer on behalf of the purchaser.

This provision is intended to counter a trend by builders and buyers of new homes to contract for upgrades, additions, or other work outside of their purchase agreements and, thereafter, fail to report the extra costs on the change in ownership statement. Some homebuyers are unaware that the cost of such additional work must be reported to the county assessor as part of the purchase price of the home. For example, a homebuyer who purchases a home with a base price of \$350,000 could select \$25,000 in upgraded kitchen and flooring options and pay for these items with cash. In the change in ownership statement to the assessor, a purchase price of \$350,000, rather than \$375,000, might be incorrectly reported.

In addition, this bill requires the builder or developer to disclose information about upgrades and options after the sale. Some have refused to disclose such information once the sale was completed; this hindered the assessor's efforts to properly maintain building records.

If you have any questions regarding this law change, please contact our Real Property Technical Services Unit at (916) 445-4982.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

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